

# Major 2001 Legislative Changes



**Several of the bills passed by the 2001 Legislature directly affect Nebraska's tax programs. Changes to the motor fuels and charitable gaming programs are not included in this notice. Contact Motor Fuels at 800-554-3835 and Charitable Gaming at 402-471-5937 for information on those changes.**

## *Income Tax*

### ***Employment Expansion and Investment Incentive Act***

The recapture provisions of the Employment Expansion and Investment Incentive Act (LB 270, 1987) were modified for credits earned in tax years beginning on and after January 1, 2001. The employer is subject to the recapture of such credits only when employment or investment falls below the minimum thresholds, not whenever employment or investment decreases. The income tax credits earned by employers hiring persons residing within an Enterprise Zone are not affected should the employee fail to maintain residency within the Enterprise Zone. (LB 169)

### ***Business Child Care Credit***

Businesses providing child care services to their employees or businesses making payments to a third party providing child care for the children of employees are allowed an income tax, deposits tax or premium tax credit. The credit is available for three years and may be taken for two additional years should the child care facility become accredited. The credit is 30% of the costs incurred by the business, not to exceed 50% of the tax liability of the business. If two or more firms share in the costs, the credit is to be divided among the firms in the same ratio as costs are shared. For partnerships, LLCs, or S corporations, the credit is passed through to the individual owners or members of the firm. Effective for tax years beginning on and after January 1, 2001. (LB 433)

### ***Invest Nebraska Act***

Businesses expanding or beginning operations in Nebraska and meeting certain employment and investment and wage level criteria may qualify for new economic development incentives. Credits are granted with the hiring of new employees and additional capital

investment. Companies creating 500 new jobs and adding \$200 million in capital investment can choose to receive either an investment credit or a wage benefit credit. The minimum levels are 25 new jobs and \$10 million of investment. The wage benefit credit depends on the average compensation of the workers at the project. For further information on this program, contact the Department of Economic Development. (LB 620)

### ***Beginning Farmer Income Tax Credit***

Owners of agricultural assets which are rented to qualifying beginning farmers or livestock producers are allowed a refundable income tax credit equal to 5% of the rental income. The credits are available to family farm corporations and to resident individuals receiving income from an estate or trust. The credits must be approved by the Beginning Farmer Board. Additional information is available from the Nebraska Department of Agriculture. The credit is effective for tax years beginning on or after January 1, 2001. (Laws 1999, LB 630; Laws 2000, LB 1223)

### ***Nebraska College Savings Plan***

Several aspects of the Nebraska College Savings Plan (Plan) were clarified and amended to reflect provisions of the federal tuition savings programs found in section 529 of the Internal Revenue Code. Individuals, corporations, and fiduciaries are permitted to make contributions to the Nebraska Educational Savings Plan Trust (Trust). Donations to the trust are deductible, to the extent not already deducted for Federal income tax purposes. Proceeds from contributions to the Plan may be used to pay for a beneficiary's higher education expenses. The Plan became effective on January 1, 2001.

The Trust is administered by the State Treasurer. Questions on the Plan should be directed to the State Treasurer's office.

## ***Sales Tax***

### ***Managed Compliance Agreement***

The holder of a Direct Payment Permit may enter into a managed compliance agreement with the State Tax Commissioner for the remittance of sales and use taxes. Under such an agreement, the Department and the business agree to a percentage of the business' purchases that are subject to tax. The taxpayer then remits the amount of tax on a monthly basis. The percentage is audited on an annual basis, and if sales and use taxes paid using the percentage method are within an established limit, no additional tax is due and no refund is paid. Effective September 1, 2001. (LB 169)

### ***Streamlined Sales and Use Tax Agreement***

The Governor is authorized to enter into a multistate agreement to provide for simplified collection of sales tax. The Legislature is required to ratify the agreement for it to become effective. The purpose of the agreement is to simplify and modernize sales and use tax administration by reducing the burden of tax compliance for sellers. The agreement will include, among other things, a uniform state tax rate, uniform standards for sourcing transactions, uniform definitions of goods and services, uniform remittance forms and a centralized registration for companies using the system. Effective September 1, 2001. (LB 172)

## ***Miscellaneous***

### ***Litter Fee***

The Nebraska Litter Reduction and Recycling Act has been extended to October 30, 2007. (LB 337)

### ***"Gray- Market" Cigarettes***

Effective May 1, 2001 the distribution, sale or possession of "gray-market" cigarettes is illegal.

Gray-market cigarettes are those in packages that contain a statement, label, stamp, sticker, or notice stating "For Export Only," "U.S. Tax Exempt," "For Use Outside U.S.," or similar wording. The term also includes any packages that do not contain the precise health warning statement in the format required by the Federal Cigarette Labeling and Advertising Act. (LB 358)

### ***Homestead Exemption***

The beginning service date for Veterans of the Vietnam War was changed from August 5, 1964 to February 28, 1961. Veterans previously unable to apply for the homestead exemption due to having a service date before August 5, 1964, will be eligible beginning with applications filed in 2002. (LB 368)

### ***Documentary Stamp Tax***

The receipts from the documentary stamp tax have been redistributed to allocate \$1.00 of the \$1.75 per deed tax to the Affordable Housing Trust Fund and \$.25 cents to the Homeless Shelter Assistance Trust Fund. The remaining \$.50 continues to be allocated to the county general fund where the property is located. Deeds which transfer title from a trustee to a beneficiary pursuant to a power of sale exercised by a trustee under a trust deed are exempt from the tax. The tax allocation provisions are effective September 1, 2001. The exemption provision is effective October 1, 2001. (LB 516)

### ***Alcoholic Beverages Tax***

A shipping license is required for any person who sells and ships alcoholic liquor from another state directly to a consumer in Nebraska. The license fee is collected by the Nebraska Liquor Control Commission. The license fee replaces the Alcoholic Beverages Tax on liquor which has been brought into Nebraska for personal consumption or received by transport, i.e., via U.S. Mail or other common carrier. Effective September 1, 2001. (LB 671)

## **FOR NEBRASKA TAX ASSISTANCE**

### **For All Tax Programs Except Motor Fuels**

**Contact your regional office or call toll free \*1-800-742-7474 (Lincoln residents call 471-5729).**

Nebraska Department of Revenue Web site address: [www.nol.org/revenue](http://www.nol.org/revenue)

A copy of the Taxpayer Bill of Rights is available by calling any of our regional offices or visiting our Web site.

#### **SCOTTSBLUFF**

Panhandle State Office Complex  
4500 Avenue I, Box 1500  
Scottsbluff, Nebraska 69363-1500  
**Telephone (308) 632-1200**

#### **NORTH PLATTE**

Craft State Office Building  
200 South Silber Street  
North Platte, Nebraska 69101-4200  
**Telephone (308) 535-8250**

#### **GRAND ISLAND**

First Federal Bank Building, Suite 460  
1811 West Second Street  
Grand Island, Nebraska 68803-5469  
**Telephone (308) 385-6067**

#### **NORFOLK**

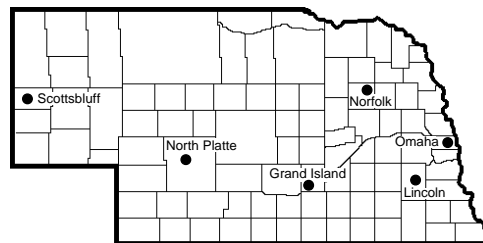
304 North 5th Street, Suite "D"  
Norfolk, Nebraska 68701-4091  
**Telephone (402) 370-3333**

#### **OMAHA**

Nebraska State Office Building  
1313 Farnam-on-the-Mall  
Omaha, Nebraska 68102-1871  
**Telephone (402) 595-2065**

#### **LINCOLN**

Nebraska State Office Building  
301 Centennial Mall South  
Lincoln, Nebraska 68509-4818  
**Telephone (402) 471-5729**



**For Motor Fuels tax programs only call toll free 1-800-554-3835 (Lincoln residents call 471-5730).**

**Hearing-impaired individuals** may call the Text Telephone (TT) at 1-800-382-9309. TDD (Telecommunications Device for the Deaf) is designated by the use of "TT," which is consistent with the Americans with Disabilities Act.

\* Toll free from within the continental United States.